

EMPLOYER UPDATE

A PUBLICATION OF THE ARIZONA STATE RETIREMENT SYSTEM

November 2000

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NEW MEMBER GUIDE DISTRIBUTED TO ASRS EMPLOYERS

To Whom It May Concern:

The new Arizona State Retirement System (ASRS) *Member Guide* was distributed to our employers in the first part of November. The *Member Guide* replaces the existing Member Handbook. We have made the *Member Guide* more concise for convenience, and you will also find that the information has been updated.

The *Member Guide* is a comprehensive review of the ASRS benefit programs and is an important resource to employees for the understanding of their retirement program. We included enough copies in every shipment to provide one *Guide* to each current, as well as new employee for the next few months.

When you need more, please do not hesitate to call Stephanie Marries, Public Information Officer, in Phoenix at (602) 240-2048, in Tucson at (520) 239-3100 extension 2048 or toll-free outside metro Phoenix or Tucson at (800) 621-3778. We have a limited supply, so please use your entire supply before trying to re-order.

If you have any questions with regard to the contents of the *Member Guide*, feel free to call Don Rohan, Employer Liaison Manager, in Phoenix at (602) 240-2022, in Tucson at (520) 239-3100 Extension 2022 or toll free outside metro Phoenix or Tucson at (800) 621-2778 extension 2022.



SOCIAL SECURITY UPDATE



The maximum wages subject to FICA withholding in calendar year 2001 will be \$80,400. There is no limit on the wages subject to medicare withholding. The State's agreement for Social Security under Section 218 of the Social Security Act excludes **election workers** from coverage, if the worker earns under a threshold dollar amount. The threshold amount for calendar year 2001 is \$1,100. If payment to an employee as an election worker does not exceed \$1,100 in the calendar year, do NOT deduct FICA from the payments. If payment exceeds \$1,100, the entire payment is subject to FICA deduction.

The following SSA web sites provide the latest on the 2001 benefit and wage amounts.

SSA Press Release: <http://www.ssa.gov/pressoffice/colapress2000.htm>

SSA Fact Sheet: <http://www.ssa.gov/pressoffice/colafacts2000.htm>

SSA History Table: <http://www.ssa.gov/pressoffice/colapress2000.htm>



STEPS FOR DETERMINING MEMBERSHIP STATUS

Is the work performed in a position included in your agreement with the state to extend Social Security coverage under section 218 of the Social Security Act?

- ❖ Agreements may exclude certain limited employment classifications from section 218 coverage. See your agreement or contact External Operations.
- ❖ Positions included in Social Security coverage under your section 218 agreement are eligible for ASRS membership. Positions excluded from your section 218 agreement are not eligible for ASRS membership.

Does the work meet the ASRS 20-week/20 hour test?

- ❖ Make this determination when the employee is hired and when there is a change in status.
- ❖ If the hire is for "typical" full time employment or extended employment for at least 20 hours a week for 20 or more weeks, the work meets the 20-week/20 hour test and the employee becomes a member of the ASRS.
- ❖ If the work schedule later changes and the employee's work no longer meets the test, active membership ceases - stop withholding and matching contributions
- ❖ If the work initially does NOT meet the 20-week/20 hour test, but the situation later changes to meet the test, the employee becomes a member of the ASRS at that time – not retroactively.

Special Situations:

- ❖ **Work with another ASRS employee**
 - ♦ If you hire an employee for a position that is included in Social Security coverage under Section 218, you must consider work performed by the employee with another ASRS employer, Employer B
 - ♦ If the employee is an active ASRS member (meets the ASRS membership requirements, including Social Security coverage under section 218) with Employer B, you must include the employee in ASRS membership and pay the required contributions, regardless of the number of hours the employee works for you.
- ❖ **Intermittent work schedule - If you hire an employee to work an irregular schedule, some weeks at less than 20 hours and some at 20 or more:**
 - ♦ Membership begins immediately if the work reasonably can be expected to meet the 20-week/20 hour test.
 - ♦ The employee does NOT become a member if the work reasonably is **NOT** expected to meet the 20-week/20 hour test. However, you must monitor the work and when the work meets the test or when it is determined that the work will meet the test, contributions must then begin at that point. (The membership is not retroactive.)
 - ♦ In subsequent periods, if you reasonably can expect the work to "average" 20 hours per week, the ASRS recommends that you continue the employee's ASRS membership. If the work will average less than 20 hours a week, report contributions for the weeks the employee works 20 or more hours.
 - ♦ If the schedule remains on the same kind of intermittent basis for a subsequent fiscal year, you again must make a determination as to whether the work meets the membership requirements, without consideration

ASRS TO BEGIN FIELD AUDITS OF EMPLOYER PAYROLL



The ASRS Internal Audit Division will begin conducting payroll audits of randomly selected ASRS employer members in fiscal year 2000/2001. The ASRS Board mandated the audits to assure compliance with the contribution reporting requirements of Arizona Statutes governing ASRS membership. Selected employers will receive notice as soon as selection has been completed. The focus of the audits will be to identify and correct systematic reporting errors and to educate employer staff on reporting rules and procedures.

EMPLOYER UPDATE

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for the prior year.

❖ "On-call" employment

♦ If an employee performs services only when called and when available, the work likely will not meet the membership test.

♦ You must monitor the work and when the work meets the test or when it is determined that the work will meet the test, contributions must then begin at that point. (The membership is not retroactive.)

♦ Treat subsequent periods as for intermittent work above.

❖ Employment in a teaching position paid on a credit hour basis

♦ Universities and colleges typically use a conversion factor for equating credit load hours to clock hours. The typical ratio is 2 clock hours for each credit hour.

♦ With this criterion, a credit load of 10 hours would qualify for ASRS membership, if the work were intended to last at least 20 weeks.

❖ Employment on a contract basis

♦ Work under a contract generally is considered to meet the 20-hour part of the criteria if the contract is for 9 or more months.

♦ A contract of less than 9 months duration is treated according to the work requirements of the contract – NOT according to the amounts paid.

❖ Employment in a position covered under another state retirement plan

♦ If you hire an employee for a position included in coverage under another of the state retirement plans (Public safety, Correctional officers, Elected officials, Optional Retirement Plan of the universi-

ties or community colleges), the employment is not service considered for ASRS membership.

♦ If you hire an employee for a position normally included in coverage under another of the state retirement plans, but the employee is not eligible for the membership in the other plan, the service is considered for ASRS membership if the position is included in your agreement for Social Security coverage under section 218 of the Social Security Act.

IRS PROCEDURES FOR FORMS W-2 AND W-3 FOR TAX YEAR 2000



The IRS has released two revenue procedures providing reporting specifications for tax year 2000. Rev Proc 2000-23 provides the specifications for printing Forms W-2 and W-3 for tax year 2000. Rev Proc 2000-25 provides specifications for the magnetic or electronic filing of 2000 Form 1099, including Forms 1099-MISC and 1099-R.

The procedures were published in Internal Revenue bulletin 2000-21 dated May 22, 2000, and may be accessed on the IRS web site at <http://ftp.fedworld.gov/pub/irs-irbs/irb00-21.pdf>.

NEW CONTRIBUTION RATE

At the last meeting of the ASRS Board of Directors held on Friday, November 17, 2000, the Board approved the new actuarial valuation providing a new contribution rate for two fiscal years effective July 1, 2001 through June, 2003.*

PLAN

	RETIREMENT	LTD	TOTAL
EMPLOYEE	2.00%	0.49%	2.49
EMPLOYER	2.00%	0.49%	2.49

SYSTEM

	RETIREMENT	LTD	TOTAL
EMPLOYEE	7.00%	0.49%	7.49
EMPLOYER	7.06%**	0.49%	7.55

*Continue using the current retirement contribution rate of 2.17% (PLAN) and 7.0%-Employee and 7.92%-Employer (SYSTEM) through June 2001.

**Includes cost of health insurance premium benefit program.

WE HAVE A NEW LOOK!

In an effort to provide our readers with a more contemporary publication, we have changed the name, format and overall look of the *Employer Update*. Look for more changes on our web site located at www.asrs.state.az.us ! As always, we welcome comments and suggestions from our readers.

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